

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC)
SERVICE COMMISSION OF THE APPLICA-)
TION OF THE FUEL ADJUSTMENT CLAUSE) CASE NO. 90-363
OF KENTUCKY UTILITIES COMPANY FROM)
NOVEMBER 1, 1988 TO OCTOBER 31, 1990)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on November 30, 1990 established this case to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of Kentucky Utilities Company ("KU") for the 2 years ended October 31, 1990, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

As part of its review, the Commission ordered KU to submit certain information concerning, inter-alia, its fuel procurement, its fuel usage, and the operation of its FAC. KU submitted this information on December 21, 1990. A public hearing was held in this case on February 21, 1991, at which Gerhard Haimberger, Robert Hewitt, Wayne Lucas, and Michael Robinson, KU officials, testified.

KU proposed to leave its base fuel cost of 14.79 mills per KWH unchanged. In Case No. 10439,¹ the Commission selected August 1988 as the base period (test month) for the purpose of arriving at the base fuel cost [F(b)] and the KWH sales [S(b)] components of the FAC.

In establishing the appropriate level of base fuel cost to be included in KU's rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by KU. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of August 1988 is a reasonably representative generation month for KU. Our analysis of KU's monthly fuel cost incurred for the 2-year period in question ranges from a low of 12.68 mills per KWH in March 1990 to a high of 15.71 mills per KWH in November 1988 with an average cost for the period of 13.70 mills per KWH. Based upon this review, the Commission finds that KU has complied with Commission Regulation 807 KAR 5:056 and that the proposed base period fuel cost of 14.79 mills per KWH should be approved.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

¹ Case No. 10439, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1986 to October 31, 1988, dated March 31, 1989.

1. KU has complied in all material respects with the provisions of 807 KAR 5:056.

2. The test month of August 1988 should be used as KU's base period for this review.

3. KU's proposed base period fuel cost of 14.79 mills per KWH should be approved.

4. The base fuel cost of 14.79 mills per KWH is the same base fuel cost currently included in KU's base rates.

IT IS THEREFORE ORDERED that:

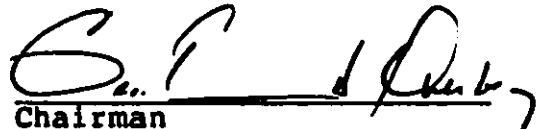
1. The charges and credits applied by KU through the FAC for the period November 1, 1988 through October 31, 1990 be and they hereby are approved.

2. KU's proposed base period fuel cost of 14.79 mills per KWH be and it hereby is approved.

3. The base rates included in KU's tariffs currently on file with the Commission shall remain in full force and effect.

Done at Frankfort, Kentucky, this 3rd day of April, 1991.

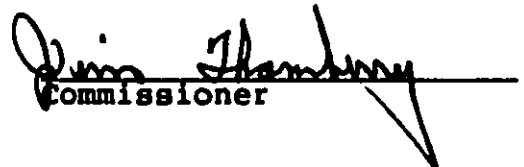
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner